

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 1720 - HB 2051

February 24, 2018

SUMMARY OF BILL: Creates a voluntary employee retirement accounts program to provide a group retirement program for private employers electing to participate in the program. Creates the Voluntary Employee Retirement Accounts Program Fund (VERAPF) to consist of funds received from enrollees and participating employers.

Creates the Voluntary Employee Retirement Accounts Board (Board) which will include the Comptroller of the Treasury, the Commissioner of the Department of Finance and Administration, two public members appointed by the Governor, a representative of employers appointed by the Governor, a representative of enrollees appointed by the Governor, and the State Treasurer who will serve as the chair. Requires members to serve without compensation but be reimbursed for travel expenses incurred. Requires the Board to invest funds in the VERAPF. Requires contributions to the VERAPF be used for the purpose of paying benefits to enrollees, for the cost of administration of the program, and for investments made for the benefit of the program.

Requires a trustee be appointed to the VERAPF. Authorizes necessary contracts and employment of a staff for the administration of the VERAPF. Authorizes an internet website be established and maintained by the state. Authorizes administrative costs associated with creation of the program to be paid by the state. Authorizes the use of money deposited to the VERAPF to be used to reimburse the state for initial administrative expenses.

ESTIMATED FISCAL IMPACT:

Increase State Revenue –

Exceeds \$250,000/FY18-19/VERAPF

Exceeds \$750,000/FY19-20/VERAPF

Exceeds \$1,000,000/FY20-21/VERAPF

Exceeds \$250,000/FY21-22/General Fund

Exceeds \$1,250,000/FY21-22/VERAPF

Exceeds \$750,000/FY22-23/General Fund

Exceeds \$1,750,000/FY22-23 and Subsequent Years/VERAPF

Increase State Expenditures –

Exceeds \$250,000/FY18-19/General Fund

Exceeds \$250,000/FY18-19/VERAPF

Exceeds \$750,000/FY19-20/General Fund

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Exceeds \$750,000/FY19-20/VERAPF
Exceeds \$1,000,000/FY20-21/VERAPF
Exceeds \$1,250,000/FY21-22/VERAPF
Exceeds \$1,750,000/FY22-23/VERAPF
Exceeds \$1,000,000/FY23-24 and Subsequent Years/VERAPF

Assumptions:

- The extent of funding required to administer the program will be dependent on the number of employers and number of enrollees electing to participate in the program. The precise number of employers and enrollees that will participate in the program cannot be reasonably determined, however, for purposes of the fiscal note it is assumed that there will be a sufficient number of employers and enrollees electing to participate in the plan in order for the program to be created and become actuarially solvent and sustainable.
- Based on information provided by the Department of Treasury (Treasury), Oregon and Illinois have established similar programs.
- Total startup costs in those states were approximately \$1,000,000.
- All startup costs will result in an increase in state expenditures to the General Fund. Such expenditures may be reimbursed from the VERAPF to the General Fund once funds are available.
- Due to the July 1, 2018 effective date, the first year impact will be in FY18-19.
- In FY18-19 there will be one-time costs associated with additional personnel within the Treasury, establishing a website, purchasing computers, office supplies, furniture, office set-up, and training will result in a one-time increase in state expenditures to the General Fund in FY18-19 estimated to exceed \$250,000.
- There will be a corresponding increase in state revenue and expenditures exceeding \$250,000 to the VERAPF in FY18-19.
- Additional staff will be required to administer the program beginning in FY19-20. Specific staffing will be determined by the Board, however the first full year of staffing and operational costs will not occur until FY20-21.
- The specific duties and compensation of such staff will be determined by the Board, however it is reasonably estimated that total recurring expenditures for salary and benefits will exceed \$500,000.
- Other recurring operational expenditures for the program are dependent on multiple factors many of which will be determined by the Board and will include but not be limited to office space, audit expenses, travel, information technology, utilities, legal services, and consulting. The total for these recurring expenditures is estimated to exceed \$500,000.
- Total recurring expenditures to the program are estimated to exceed \$1,000,000 (\$500,000 + \$500,000).
- In FY19-20 as additional staff is hired and the program is further established, the total expenditures paid from the General Fund are reasonably estimated to be 75 percent of a full-year impact.
- The increase in state expenditures from the General Fund in FY19-20 is estimated to exceed \$750,000 (\$1,000,000 x 75%).

- There will be a corresponding increase in state revenue and expenditures exceeding \$750,000 to the VERAPF in FY19-20.
- Funding to the VERAPF will become sufficient in FY20-21 to cover any necessary expenditures; therefore, state funding from the General Fund will no longer be required beginning FY20-21.
- The increase in state revenue and corresponding state expenditures to the VERAPF in FY20-21 is estimated to exceed \$1,000,000.
- Beginning in FY21-22, after the VERAPF has become self-supporting, transfers in addition to benefit payments and administrative costs will be made across two years in order to make the General Fund whole. Therefore, the increase in state revenue and corresponding state expenditures to the VERAPF in FY21-22 are estimated to exceed \$1,250,000 and the increase in state revenue to the VERAPF in FY22-23 and subsequent years is estimated to exceed \$1,750,000; the increase in state expenditures to the VERAPF in FY22-23 is estimated to exceed \$1,750,000.
- The increase in state revenue to the General Fund from reimbursements is estimated to exceed \$250,000 in FY21-22, and exceed \$750,000 in FY22-23
- The recurring increase in state expenditures from the VERAPF in FY23-24 and subsequent years is estimated to exceed \$1,000,000.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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